



National Energy
Board

Office national
de l'énergie

Quarterly Financial Report For the quarter ended 30 September 2014

Statement outlining results, risks and significant changes in operations, personnel and program

Introduction

The quarterly financial report for the National Energy Board (NEB or Board):

- should be read in conjunction with the Main Estimates;
- has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board; and
- has not been subject to an external audit or review.

The Board's top priorities are the continual improvement of safety and environmental protection, a robust regulatory framework for the North, and a flexible and efficient organization able to meet new and ongoing priorities.

A summary description of the NEB's program activities can be found in *Part II of the Main Estimates*.

The NEB receives its funding through annual Parliamentary authorities. The majority of these expenditures are subsequently recovered from the companies regulated by the NEB and the funds are deposited in the Consolidated Revenue Fund of the Government of Canada.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the National Energy Board's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates for the 2014-15 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.



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The National Energy Board uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of Fiscal Quarter and Fiscal Year to Date Results

Actual Expenditures

- Year to date personnel spending at the end of the second quarter is \$5.9M greater than the same period in the previous year. Approximately \$4.3M of this variance is related to the elimination of the employee severance pay program for represented employees in 2013-14. These amounts are recoverable as part of the eligible payroll and this variance is expected to be eliminated at or prior to fiscal year end. The remaining \$1.6M increase in personnel costs is related to the signing of a new collective agreement in the third quarter of 2013-14, and filling vacancies resulting in an increase of FTEs over last year.
- The increase of \$1.5M in other subsidies and payments is due to a one-time transition payment in Quarter 1 for implementing salary payment in arrears by the Government of Canada.
- The NEB office relocation has also affected various expenditures. Rentals have increased by \$2.3M for swing space, acquisition of machinery and equipment has increased by \$1.1M, acquisition of land, buildings and works has increased by \$0.4M, and professional and special services expenditures have decreased by \$2.1M at the end of the second quarter over the same period in the previous year, primarily due to this office relocation.

Planned Expenditures

The variances in planned expenditures for 2014-2015 over the previous year are as follows:

- The office relocation accounts for approximately \$8.3M in additional funding for 2014-15. Most of this has been allocated to professional and special services though there are expected increases in other expenditure areas.
- Transfer payments related to the NEB's Participant Funding Program. Funding for this program has increased by \$1.5M in 2014-15 over the previous year as a result of special purpose funding for projects that are expected to occur in 2014-15.



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- 2013-14 Operating Budget Carry Forward of \$2.6M was received in Q2. Approximately \$1.7M was allocated to professional and special services for IT projects and \$0.9M was allocated to IT equipment.

Risks and Uncertainties

Due to the nature of its mandate, the NEB's expenditures are influenced by planned and unplanned events (internal and external) that create uncertainty in expenditures and resource pressures. The NEB's responsibilities are not only shaped by emerging energy trends, but also by the proactive consideration of safety, environmental, societal and economic trends that may influence the NEB's ability to carry out its responsibilities in the Canadian public interest.

The NEB employs a risk-informed compliance verification program, which considers resource requirements to perform compliance activities and ensure those activities are completed in accordance with the plan. Corrective actions are monitored and regulated companies' operating environments observed for emerging risks and trends. In addition to increasing the number of inspections and audits conducted, the NEB's Administrative Monetary Penalties (AMPs) framework provides the NEB with additional enforcement mechanisms

The skills and experience needed by the NEB continue to be in high demand due to private sector demand in Calgary and increased workloads at the NEB. The NEB regularly reviews its People Strategy and measures employee engagement and work-life balance on a quarterly basis, which informs leadership decisions on areas of focus and assists in responding to staff concerns and interests. Staff development is supported with access to training and new career opportunities in a challenging work environment.

Significant Changes in Relation to Operations, Personnel and Programs

The National Energy Board office relocation that occurred in the first quarter of 2014-15 resulted in an increase to NEB authorities.

Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that will be implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce the back office.



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The NEB was unaffected by the savings measure announced in Budget 2012. Conversely the department received additional funding to strengthen pipeline safety.

Approval by Senior Officials

Approved by,

C. Peter Watson, P.Eng.
Chair and CEO

Ed Jansen, CA
Chief Financial Officer

*(Calgary, Canada)
(28 November 2014)*



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For the quarter ended *September 30, 2014*

STATEMENT OF AUTHORITIES (unaudited)

	Fiscal year 2014-2015			Fiscal year 2013-2014		
	Planned expenditures for the year ending March 31, 2015*	Expended during the quarter ended September 30, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014*	Expended during the quarter ended September 30, 2013	Year to date used at quarter-end
Operating expenditures	67,194	18,676	40,425	55,241	16,465	31,028
Contributions to employee benefit plans	6,878	1,690	3,380	7,195	1,799	3,598
Total Budgetary authorities	74,072	20,366	43,805	62,436	18,264	34,626
Non-budgetary authorities						
Total authorities	74,072	20,366	43,805	62,436	18,264	34,626

More information is available in the attached table.

* Includes only Authorities available for use and granted by Parliament at quarter-end (does not include Supplementary Estimates).



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DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)

(in thousands of dollars)

Expenditures:

	Fiscal year 2014-15			Fiscal year 2013-2014		
	Planned expenditures for the year ending March 31, 2015*	Expended during the quarter ended September 30, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014*	Expended during the quarter ended September 30, 2013	Year to date used at quarter-end
Personnel	47,852	15,257	33,230	48,546	13,852	27,334
Transportation and communications	4,193	633	1,106	3,415	528	1,316
Information	799	105	144	589	50	142
Professional and special services	13,319	227	2,550	5,417	3,239	4,669
Rentals	799	2,555	2,629	589	215	334
Repair and maintenance	799	181	689	471	161	499
Utilities, materials and supplies	399	103	168	471	93	143
Acquisition of land, buildings and works	-	429	429	-	-	-
Acquisition of machinery and equipment	2,298	816	1,249	824	126	148
Transfer payments	3,614	56	56	2,114	11	11
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	-	4	1,555	-	(11)	30
Total gross budgetary expenditures	74,072	20,366	43,805	62,436	18,264	34,626

* Includes only Authorities available for use and granted by Parliament at quarter-end (does not include Supplementary Estimates).